

**AQUA UTILITIES COMPANY, INC.**

**706 MAIN STREET**

**SAVANNAH, TN 38372**

**PHONE (731) 925-6547**

**FAX (731) 925-9524**

APR 2 2 34 PM '02

ENERGY & WATER DIVISION

**RECEIVED**  
TN REG. AUTHORITY

APR 3 2002

March 27, 2002

ENERGY & WATER DIVISION

Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Mr. Waddell:

00-01105

Please consider this to be our compliance with audit findings from the Compliance Audit of Aqua Utilities Company, Inc. A brief description of actions taken is provided below.

Finding #1 – We have changed our chart of accounts to comply with the Uniform System of Accounts as much as our software will permit. Due to software limitations, we are unable to use the exact chart of accounts as provided in the Uniform System of Accounts manuals for water and wastewater. However, we have made as many changes as are possible and have changed descriptions on general ledger accounts to cross reference them to the proper account as per USOA manuals. Please see chart of accounts which is enclosed.

Finding #2 – Aqua Utilities is now keeping all of its accounting totally separate from that of Montana Land Company.

Finding #3 – Loan with Columbus Bank & Trust. A request for approval of this loan with loan information is enclosed.

POSTED  
4/8/02

Finding #4 – Aqua Utilities checks are being signed only by James E. Clausel, President of Aqua Utilities. No one else is signing checks. A copy of the most recent signature card for this checking account is enclosed.

Finding #5 – Transfer of Certificate of Public Convenience. A request for transfer of this Certificate is enclosed.

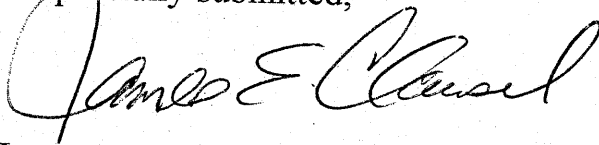
Finding #6 – This concerns an accounting entry, please see copy of this entry which is enclosed.

Finding #7 – Aqua Utilities is now only collecting a 250.00 water tap fee and a 250.00 wastewater tap fee as is allowed by our tariff. The accounting entry is enclosed.

Finding #9 – This concerns an accounting entry, please see copy of this entry which is enclosed.

Finding #11 – This concerns an accounting entry, please see copy of this entry which is enclosed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James E. Clausel". The signature is fluid and cursive, with the first name "James" being the most prominent part.

James E. Clausel  
President, Aqua Utilities

CLIENT: AQUA  
03/27/02 08:27  
ACCOUNT #

AQUA UTILITIES COMPANY, INC.  
CHART OF ACCOUNTS

Page 1  
Dec 31, 2001

DESCRIPTION

MEMO DEPARTMENTS

Asset

101	Water plant in Service (NARUC 101)
102	Sewer plant in Service (NARUC 101)
108	Accumulated Depreciation-Water-(NARUC 108)
109	Accumulated Depreciation-Wastewater-(NARUC 108)
120	Prepaid Expense
131	Cash (NARUC 131)
141	Accounts Receivable (NARUC 141)
174	Prepaid Expense (NARUC 174)

Liability

231	Sales Tax Payable (NARUC 231)
232	N/P - Montana (NARUC 232)
271	C.I.A.C.-Water-(NARUC 271)
272	C.I.A.C.-Wastewater-(NARUC 271)
299	Suspense

Capital

315	Common Stock Issued (NARUC 201)
318	Retained Earnings (NARUC 215)
319	Dividends Paid
320	Current Earnings

Revenue

421	Nonutility Income - Water & Wastewater (NARUC 421)
461	Metered Water Revenue (NARUC 461)
474	Other Water Revenue - (NARUC 474)
522	Wastewater Measured Revenue (NARUC 522)
536	Other Wastewater Revenue (NARUC 536)

Expense

601	Depreciation-Water-(NARUC 403)
602	Taxes other than income (NARUC 408)
603	Income Taxes (NARUC 409)
604	Non-utility Expense Water & Wastewater (NARUC 426)
605	Depreciation-Wastewater-(NARUC 601)
610	Purchased Water (NARUC 610)
615	Purchased Power - Water - (NARUC 615)
620	Materials & Supplies-Water-(NARUC 620)
630	Contractual Services - Billing - Water (NARUC 630)
631	Contractual Services - Professional -Water (NARUC 631)
635	Contractual Services - Testing - Water (NARUC 635)
636	Contractual Services - Other - Water (NARUC 636)
655	Insurance - Water (NARUC 655)
675	Miscellaneous Water Expense (NARUC 675)
715	Purchased Power - Wastewater - (NARUC 715)
720	Materials & Supplies - Wastewater
730	Contractual Services - Billing - Wastewater(NARUC 730)
731	Contractual Services-Professional-Wstewater(NARUC 731)
735	Contractual Services - Testing - Wastewater(NARUC 735)
736	Contractual Services - Other - Wastewater (NARUC 736)
755	Insurance - Wastewater-(NARUC 755)
775	Miscellaneous Wastewater expense (NARUC 775)

Re: Finding #1

CLIENT: AQUA  
03/27/02 13:45

AQUA UTILITIES COMPANY, INC.  
JOURNAL ENTRIES

Page 1  
Dec 31, 2001

<u>JOURNAL TYPE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>JNL PERIOD</u>	<u>POSTED</u>
Adjusting Jnl #1	12/31/01	Adjusting Journal Entries	3 December	Yes

<u>GEN</u>	<u>REF</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>DEBITS</u>	<u>CREDITS</u>
101	AJE1	12/31/01	TRA FINDING #6	203000.00	
102	AJE1	12/31/01	TRA FINDING #6	250000.00	
271	AJE1	12/31/01	TRA FINDING #6		203000.00
272	AJE1	12/31/01	TRA FINDING #6		250000.00
318	AJE2	12/31/01	TRA FINDING #7	5775.00	
271	AJE2	12/31/01	TRA FINDING #7		2775.00
272	AJE2	12/31/01	TRA FINDING #7		3000.00
102	AJE3	12/31/01	TRA FINDING #9	4650.00	
318	AJE3	12/31/01	TRA FINDING #9		4650.00
271	AJE4	12/31/01	TRA FINDING #11	55825.00	
272	AJE4	12/31/01	TRA FINDING #11	68831.00	
108	AJE4	12/31/01	TRA FINDING #11		55825.00
109	AJE4	12/31/01	TRA FINDING #11		68831.00

Account Hash Total 2787  
Reference Hash Total 0

Journal Totals  
13 Transactions

588081.00 588081.00

CENTRAL BANK  
1410 WAYNE ROAD  
SAVANNAH TN 38372

**OWNERSHIP OF ACCOUNT - PERSONAL PURPOSE**

- ☒ INDIVIDUAL ☐ \_\_\_\_\_  
☐ JOINT - WITH SURVIVORSHIP (and not as tenants in common)  
☐ JOINT - NO SURVIVORSHIP (as tenants in common)  
☐ TRUST - SEPARATE AGREEMENT: \_\_\_\_\_

☐ REVOCABLE TRUST OR ☐ PAY-ON-DEATH  
DESIGNATION AS DEFINED IN THIS AGREEMENT  
Name and Address of Beneficiaries: \_\_\_\_\_

**OWNERSHIP OF ACCOUNT - BUSINESS PURPOSE**

- ☐ SOLE PROPRIETORSHIP  
☐ CORPORATION: ☐ FOR PROFIT ☐ NOT FOR PROFIT  
☐ PARTNERSHIP  
☐ \_\_\_\_\_

BUSINESS: \_\_\_\_\_  
COUNTY & STATE OF ORGANIZATION: \_\_\_\_\_  
AUTHORIZATION DATED: \_\_\_\_\_

DATE OPENED 02/20/98 BY DANNY  
INITIAL DEPOSIT \$ \_\_\_\_\_  
☐ CASH ☐ CHECK ☐ \_\_\_\_\_  
HOME TELEPHONE # \_\_\_\_\_  
BUSINESS PHONE # (901) 925-6547  
DRIVER'S LICENSE # \_\_\_\_\_  
EMPLOYER \_\_\_\_\_  
MOTHER'S MAIDEN NAME \_\_\_\_\_  
Name and address of someone who will always know your location: \_\_\_\_\_

**BACKUP WITHHOLDING CERTIFICATIONS**

TIN: \_\_\_\_\_  
☐ **TAXPAYER I.D. NUMBER** - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

☒ **BACKUP WITHHOLDING** - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

☐ **EXEMPT RECIPIENTS** - I am an exempt recipient under the Internal Revenue Service Regulations.

☐ **NONRESIDENT ALIENS** - I am not a United States person, or if I am an individual, I am neither a citizen nor a resident of the United States.

**SIGNATURE: I certify under penalties of perjury the statements checked in this section.**

X \_\_\_\_\_ (Date)

ACCOUNT  
NUMBER

10502268

**BUSINESS CHECKING**

ACCOUNT OWNER(S) NAME & ADDRESS

AQUA UTILITIES COMPANY INC

~~130 FOURSQUARE ST~~ 706 MAIN STREET  
SAVANNAH TN 38372

- TYPE OF ACCOUNT ☒ NEW ☐ EXISTING  
☒ CHECKING ☐ SAVINGS  
☐ MONEY MARKET ☐ CERTIFICATE OF DEPOSIT  
☐ NOW ☐ \_\_\_\_\_

This is your (check one):

☒ Permanent ☐ Temporary account agreement.

Number of signatures required for withdrawal 1

FACSIMILE SIGNATURE(S) ALLOWED? ☐ YES ☒ NO

[X]

**SIGNATURE(S) - THE UNDERSIGNED AGREE(S) TO THE TERMS STATED ON PAGES 1 AND 2 OF THIS FORM, AND ACKNOWLEDGE(S) RECEIPT OF A COMPLETED COPY ON TODAY'S DATE. THE UNDERSIGNED ALSO ACKNOWLEDGE(S) RECEIPT OF A COPY OF AND AGREE(S) TO THE TERMS OF THE FOLLOWING DISCLOSURE(S):**

- ☒ Deposit Account Disclosure ☒ Funds Availability Disclosure  
☒ Electronic Funds Transfer Disclosure ☒ TIS Disclosure  
☐ \_\_\_\_\_

(1): [X] AQUA UTILITIES COMPANY INC

I.D. # \_\_\_\_\_ D.O.B. \_\_\_\_\_

(2): [X] JAMES E CLAUSEL  
I.D. # 409-04-9031 X D.O.B. 3/26/56

(3): [X]

I.D. # \_\_\_\_\_ D.O.B. \_\_\_\_\_

(4): [X]

I.D. # \_\_\_\_\_ D.O.B. \_\_\_\_\_

☐ Additional Authorized Signatory (Individual Accounts Only) (Name)

[X]

I.D. # \_\_\_\_\_ D.O.B. \_\_\_\_\_